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The Director of Central Intelligence

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MEMORANUM FOR: Deputy Director of Central Intelligence
Director, Defense Intelligence Agency
Director, National Security Agency
Director, Bureau of Intelligence and Research,
Department of State

SUBJECT : Annual Report

1. I very much appreciated your contributions to the Annual Report which will be provided Congress on 24 January. Attached is my overview. Would you review it with particular reference to the Community goals for 1980 listed on pages 15 and 16 and provide me with your comments by 16 January 1980.

2. This edition of the overview is provisionally classified Confidential. My intention is to publish it as unclassified once you have reviewed it and I have made sure that no classified material will be released. Your chapters, of course, will be published at the level you have classified them.

/s/ Stansfield Turner

STANSFIELD TURNER

Attachment:
as stated

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7 January 1980

The Intelligence Community in 1979:
Annual Report of the Director of Central Intelligence

The Intelligence Community faced three major challenges in 1979:

- I. To improve the quality of political and economic intelligence in the face of rapidly and sometimes profoundly changing requirements;
- II. To ensure that we could effectively carry out our many monitoring responsibilities despite the loss of some capabilities and the heavy demand placed on others; and
- III. To adjust and respond positively to the effects of active Congressional oversight and new legislation.

Our response to these challenges this year demonstrated the enduring good health of the United States' intelligence services and their growing ability to function as a Community. Because these challenges will remain with us for the foreseeable future, we must continue to strengthen the Community's capabilities in collection and analysis in order to anticipate the problems of tomorrow and deal with them effectively. This report, consequently, assesses the Intelligence Community's performance in 1979 from two perspectives:

- The major challenges and how they were met
- The primary lessons learned and their implications for our future direction and capability

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CONFIDENTIALI. Improving Political and Economic Intelligence

- I. To improve the quality of political and economic intelligence in the face of rapidly and sometimes profoundly changing requirements.*

For the Intelligence Community, the year ended as it began: with attention focused on Iran. Our experience there underscores the importance of sensitivity to broad trends and underlying social, political, and economic forces that will shape the international environment in the 1980s. How well-equipped are we today to detect these kinds of social and political changes, changes that could threaten U.S. interests elsewhere?

IRAN

When the government of the Shah fell, the Intelligence Community was criticized for not predicting the event in advance. The real issue here is not whether we were able to predict the moment of the Shah's fall. There were no written plans for the kind of revolution which occurred in Iran. The moment when disparate forces coalesce behind an obscure or unlikely leader is a moment of spontaneity usually unforeseen even by the participants. While predicting such events is certainly to be strived for, it is only the final step in a continuing process of warning, whose earlier steps are probably more important because they give the policymaker the time and the option to act.

Consequently, the real issue is how well we alerted the policymaker over the years to the drift in Iran, to the mounting challenges to the Shah, and to the increasing likelihood of revolution at some unspecified time. As a country moves toward revolution, certain trends can be assessed and the policymaker alerted. We did reasonably well in these areas, but we can and should do better. Even more importantly, we must be able to sense such trends over a wider range of countries than ever before. This means being able to formulate

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better reporting requirements that alert us to what is happening throughout society, and finding the means to sensitize analysts to the more subtle and fundamental forces at work.

Early in 1979 we moved as a community to improve the quality of political reporting on potentially unstable areas. A key element to this effort has been the Political Intelligence Working Group, composed of the Under Secretary of State, the Deputy to the President's Assistant for National Security, and the Deputy Director of Central Intelligence. This group has developed a list of critical countries and current concerns. It has sharpened the definition of requirements in these areas. The result has been better coordination and more focused collection and production. Through the Policy Review Committee (Intelligence), top policymakers have also defined their longer term intelligence interests and needs and expressed them as National Intelligence Topics. The Deputy Director for National Foreign Assessment has taken the lead in assuring that the Community developed a coordinated production strategy for addressing these Topics in 1979-1980, and the Deputy Director for Collection Tasking has formulated the collection objectives, tasks, and priorities to support the production effort with the necessary informational input.

*Detecting
societal
change*

Beyond these institutional responses, we are examining and writing more about trends in developing countries and other societies undergoing stress. We are in the process of determining which indicators will tell us the most about what is happening. Within CIA, an inter-directorate study group is identifying and testing a method to tap into significant opinion making groups in selected countries. Here it must be recognized that the dividing line between "intelligence" that is obtained through clandestine contacts and "reporting" that is traditionally done from open contacts by foreign service officers and others is a narrow but real one. The best of both will be increasingly needed. We will have to coordinate carefully our intelligence efforts with the information-gathering activities of the State Department and other Government agencies.

CONFIDENTIAL*Economic
intel-
ligence*

Astute economic intelligence is also increasingly essential to foreign policy. Political relations among nations will be shaped in part by the adequacy of essential energy supplies and access to other raw materials. As 1979 closed, for instance, the United States was instituting economic pressures on Iran and weighing the effects of possible loss of Iranian oil production. Policymakers will expect intelligence to signal potential stringencies, to interpret their political effects, and to continue supporting ongoing international economic negotiations.

This year we increased our attention to the economic problems of key LDCs and to developing multidisciplinary task forces to study major resource issues. The Petroleum Supply Analysis Center, for example, combines all relevant technical disciplines and involves the entire community in its studies. This Center serves the policymaker with estimates of oil production possibilities of key producers and analyses of the technical implications of production policy decisions. Additionally, we increased our support to U.S. negotiators at international economic conferences and, with the Department of Commerce, have developed a mechanism for sharing more unclassified economic intelligence work with the U.S. business community.

*Balanced
analytic
effort*

As the Iranian experience has shown, it is essential to strike a balance between current intelligence and the analysis of trends against a larger backdrop. Yet requests for current intelligence--an appraisal of fast-breaking events or support in a crisis--place a heavy burden on the analysts' time and exact a toll on long-range work. It is with this in mind that I authorized creation of the National Intelligence Council in December to ensure, in part, that a conscious Community effort is made to enhance our capacity for estimative,

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multidisciplinary analysis. Developing the skills required for this type of analysis is a long-term process, and one that philosophically views each analyst as a soldier, trained and ready, though perhaps never called on. A prime challenge we face in developing such depth within the Community is to keep the motivation of our people high, though a dramatic requirement for their skills may be rare.

Much remains to be done throughout the Community to improve the quality of political analysis and integrating it with economic intelligence. It will be especially important to increase the focus on countries where there is high probability of societal change. We must understand better the historical, cultural, and religious forces driving such change, and strengthen the base of political and economic intelligence so that we will be ready for shifts in policy attention as events unfold.

CONFIDENTIALII. Monitoring Responsibilities

II. To ensure that we could effectively carry out our many treaty monitoring responsibilities despite the loss of some capabilities and the heavy demand placed on others

Throughout 1979, the entire spectrum of our monitoring capabilities was put to the test. [REDACTED]

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[REDACTED] Shortly thereafter, we formally became responsible for monitoring the most comprehensive and complex arms control treaty ever negotiated. And, events in the Middle East, Asia, and Central America put a heavy and almost constant burden on our crisis monitoring capabilities. There were thus three primary dimensions to this challenge: preparing to monitor the SALT-II Treaty, assuring that we could handle SALT along with our other responsibilities, and establishing priorities that effectively allocated our collection assets.

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SALT

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Perhaps the most difficult was in the area of SALT. SALT II contains [REDACTED]

[REDACTED] Extensive Congressional hearings were held to ascertain our ability to perform each of these monitoring tasks.

The review of our strategic nuclear monitoring capabilities posed a number of special problems. In the national debate over the SALT II Treaty, both the public and the media sought to draw the Intelligence Community in as either proponent or opponent of the Treaty. The Community cannot under any circumstances permit itself to be used as an advocate of

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any policy without forsaking its most important contribution: the provision of credible, unbiased intelligence, uninfluenced by any policy considerations.

Therefore, the Intelligence Community scrupulously carried out its proper role of providing an impartial and necessarily classified assessment of how well we could check on or monitor each provision of the Treaty to both the President and the Congress. We scrupulously eschewed expressing opinion on the adequacy of verification because such a judgment can only be made in the light of policy alternatives.

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Team-work Teamwork is also essential to the Community's effectiveness in monitoring compliance with numerous other arms control treaties and agreements, supporting ongoing negotiations, and assessing Warsaw Pact orders of battle and deployments to forward areas as well as the activities of other key foreign military forces.

Monitoring conventional force developments and deployments is especially important in assessing the elements of competition in the overall U.S.-USSR relationship. It is essential for policymakers to know, for example, when changes in order of battle or forward area deployments signal genuine shifts in political and strategic military objectives. Compared to keeping track of

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the strategic balance, monitoring such developments is extremely difficult. In most cases, there are no treaties to specify limits and prohibitions on what can be developed or deployed. Nor can we afford to devote the same level of effort to monitoring conventional forces that we do SALT. Even if we could, we face a formidable analytic challenge. [REDACTED]

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[REDACTED], such as those deployed to forward areas, and still more difficult to know their purpose. This is essentially the problem we faced with the Soviet brigade in Cuba.

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This experience underscores the importance of a community approach to collection and analysis. The intelligence breakthrough in August was a team effort. The experience also demonstrated the value of amassing a large data base and the effectiveness of our system to index and store such information. Had this information not been available, it would have been impossible to trace the origins of the Soviet force and document in retrospect the evolution of the build-up.

Korea

A similar team effort was required to reassess our evidence and judgments about the size and order of battle of the North Korean army. While one component of the community pushed ahead with its work in locating new units, its findings

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were shared with other components to facilitate independent verification of the data. Through such coordinated analysis we were able to develop a new assessment of the Order of Battle of another extremely difficult monitoring problem.

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product of fine teamwork between our various disciplines for collecting data.

Priorities

Other crises in the Far East, the Middle East, and Central America also tested the Community's ability to establish priorities and allocate a limited number of collection assets. The outbreak of hostilities between China and Vietnam, for example, confronted us with the problem of how best to allocate these assets. Obviously, intense interest in the hostilities required that we cover them on a daily basis. But we also had to make sure that other targets of equal or even greater long-term priority in the area were covered as well, e.g., Korean warning. If crises alone drive collection, we risk being in a poor position to anticipate other developments which might become more significant. How do we decide between conflicting priorities?

China-Vietnam

Executive Order 12036 set up the National Intelligence Tasking Center to bring the best combination of the Community's collection assets to bear on problems in accordance with the national priorities established by the NSC and to resolve any conflicts of priority which may later develop. During the Sino-Vietnamese crisis the NITC demonstrated its ability to adjudicate priorities and maintain coverage with limited collection resources. Our concern over the situation in Nicaragua last summer and the eventual takeover there by the Marxist-led National Front also necessitated adjustments of collection efforts in the Caribbean area, because this coincided with our heightened efforts to monitor the Soviet presence in Cuba.

*Nicaragua***CONFIDENTIAL**

CONFIDENTIAL*Iran,
Afghan-
istan*

In the Fall, we faced conflicting priorities and competition for resources in covering crises in Iran, Afghanistan and related areas of the Moslem world. Greater attention was paid to coverage of Afghanistan during the period of the Amin coup in September 1979, before the onset of the Iranian crisis. In November, the takeover of our Embassy made collection on Iran our highest priority. When the Soviet Union began its massive military build-up in preparation for invading Afghanistan in early December 1979, conflicts in priority targeting arose because collection on neighboring Iran remained critical. The collection managers mobilized assets across the board to cover the entire Iranian/Afghan/Soviet border/Persian Gulf areas as an entity. This regional approach permitted the sharing of scarce resources for collection on priority targets in neighboring countries.

*Tactical
support*

It is appropriate to note at this point that the activities of the Community are not focused solely on national needs. Our capabilities are such that they can supplement the tactical assets of our military forces in the field. The interface between national and tactical systems is a complex one, but we are in the process of developing these relationships through a series of cooperative tests with the military forces. Between April 1978 and March 1979, the Intelligence Community supported three major tests sponsored by the Joint Chiefs of Staff. These exercises permit us to take the theory behind the interface and subject it to the exigencies of the real world to determine how we can most effectively support tactical forces overseas.

In sum, our experience in 1979 demonstrated the need for versatility and a surge capacity in monitoring systems. The versatility is there. Through the NITC we can shift priorities rapidly from one area to another and program collection systems to intensify coverage of trouble spots. But our

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capability to do so within current resource levels and without degrading other monitoring responsibilities is limited. Until these capabilities are enhanced, it will be the job of the NITC to balance competing requirements with the resources available.

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III. Oversight and Legislation

III. To adjust and respond positively to the effects of active Congressional oversight and new legislation.

It is essential for an intelligence service to conduct its operations in secret and to protect the sources and methods by which it gathers information. The American Intelligence Community must also operate within legal constraints, must not infringe on the legal rights of American persons, and must be accountable for its actions. The Intelligence Community today is too big, too public to enjoy the same degree of secrecy that it did a decade ago. The investigations between 1974 and 1976 have fundamentally changed the environment in which we must operate. Today, therefore, we must adjust to greater legislative restrictions, greater oversight, and greater openness, while at the same time protecting our sources and methods of collecting information as well as the information itself.

Congressional oversight has been thorough and constructively critical of our operations, our finances, and our product. Such active oversight, coupled with the frequent appearances of Community leaders before Congressional Committees, has benefited us. It has increased understanding of our role, and helped generate important Congressional support for necessary resources and for an enhanced capability to protect secrets.

Legis-
lation

The House Permanent Select Committee on Intelligence, for example, has introduced a bill, co-sponsored by the entire Committee to provide criminal penalties for the unauthorized identification of individuals engaged or assisting in U.S. foreign intelligence activities. I consider the passage of this bill vital to our future effectiveness.

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We are also grateful for the intention of the Senate Select Committee on Intelligence to address the "Identities" issue in the 2d Session of the 96th Congress, as well as their major effort to write new Charter Legislation for the Intelligence Community. Such legislation would help resolve many of the difficulties in interpreting the impact of the complex of rules and regulations recently applied to intelligence agencies. The SSCI's draft Charter Legislation also addresses not only the "Identities" problem, but such other critical issues as the modification of the Hughes-Ryan amendment and partial relief from the Freedom of Information Act.

Security

There are, of course, risks inherent in any process that details our budget, clandestine operations, and key analytic findings. The danger that sensitive sources and methods will be disclosed is unquestionably increased in direct proportion to the number of people who know them, irrespective of who they are. Leaks continue to be one of our most serious problems. I have written to the Attorney General and to the chairmen of the appropriate Congressional Committees to alert them to unauthorized disclosures of classified information and to stress the damage which may result. The more serious breaches of security have been referred to the FBI for investigation.

While we will continue to investigate every instance of a security breach, I am persuaded that our best insurance against leaks is a two-pronged effort. On the one hand, we are purging the system of that which can be declassified, thus reducing the material which must be safeguarded and thereby increasing respect for it. On the other hand, we are protecting better that which remains classified. The President's approval, just at year's end, of a new system of codeword security will do much to assist us in this latter direction.

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The Intelligence Community is moving into a more demanding time than ever before. In the 1980s, the trend toward upheaval in the Third World will continue as social and political forces struggle with the problems of modernization and accelerated change. Understanding the nature and dynamics of such struggles, and alerting policymakers as to how they may threaten free world interests will remain high on the Intelligence Community's agenda. At the same time, the elements of competition in the U.S.-USSR relationship will place a heavy burden on our ability to monitor key military and political developments in an effort to anticipate and help avoid crises. Relations among the industrialized countries and between them and key Third World states, moreover, will be complicated by differences in approach to potential crises, as well as by conflicts about the goals of energy, security, and nuclear non-proliferation policies--all topics on which policymakers will expect perceptive analyses.

If the Intelligence Community is to continue to be responsive to policymakers, we can no longer concentrate as predominantly on Communist military activities, our primary focus for the past 30 years. There is a clear need to rethink the traditional balance of our collection and analytical efforts between the "hard targets" (the USSR, Eastern Europe, and China) and the Third World, as well as the balance between resources devoted to science and technology and military subjects, as opposed to political and economic subjects. Currently for example, over seventy five percent of the production analysts in the Community work on S&T or military subjects. Less than twelve percent deal with political issues. In the period ahead, our concerns with politics, economics, food resources, energy, population growth, narcotics, international terrorism, technology transfer, and a host of other forces which affect the relations of nations will certainly continue to grow.

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Because of this increasing breadth of intelligence interests we will be compelled to develop better strategies to assure balance between our capability to collect intelligence through technical means and our capability to satisfy requirements through agents in the field. The more information technical systems provide us, the more questions are raised. Generally, a photograph or a signals intercept reveal something that is different from what has been observed in the past. The policymaker then asks why there has been a change and what may happen next. Discerning motivations, intentions, and future plans is the forte of the human intelligence agent. Rather than devaluing the traditional agent, therefore, our burgeoning technical collection capabilities increase the importance of human collection. The challenge here will be to coordinate vast quantities of technically collected information with the human intelligence effort so that they enhance one another.

In the sections that follow, the leaders of the major Intelligence Community components report on specific issues and problems which concern them and which will require special emphasis over the next several years. These issues, as well as the ones which I have raised in this overview, underlie the Intelligence Community's goals for 1980:

- (1) -- To develop better means of anticipating the major challenges for intelligence over the next decade and their affect on future collection and analytical requirements
- (2) -- To strengthen the base of in-depth, multidisciplinary analytic expertise
- (3) -- To evaluate the management and quality of national intelligence estimates and memoranda, with particular emphasis on their timeliness and on their utility to principal policy consumers

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- (4) -- To develop the techniques both for the collection against and analysis of long-term societal change in the Third World.
- (5) -- To enhance coordination of Community-wide research and analytic production on National Intelligence Topics of Long Term interest
- (6) -- To assist the Congress in ensuring that Charters Legislation provides for adequate Community accountability, yet permits the degree of flexibility which is indispensable to effective intelligence work.

These objectives will help focus the skills we have as a Community to respond to the challenges that face the nation. They will help assure continued progress in fashioning an American model of intelligence, one that is consistent with our traditions, responsibilities, and resources.

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